

Message Text

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ACTION COME-00

INFO OCT-01 ARA-14 ISO-00 EB-08 CIAE-00 DODE-00 PM-05

H-02 INR-07 L-03 NSAE-00 NSC-05 PA-02 PRS-01

SP-02 SS-15 USIA-15 LAB-04 SIL-01 AID-05 /090 W

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FM AMEMBASSY BUENOS AIRES

TO SECSTATE WASHDC 2814

UNCLAS BUENOS AIRES 7841

ATTENTION DOC/INVESTMENT POLICY DIVISION

E.O. 11652: N/A

TAGS: EINV, ECON, ELAB, ETRD.

SUBJECT: REQUEST FOR INFORMATION TO AID USG REVIEW OF INTERNATIONAL INVESTMENT POLICY

REF: A) STATE 242996, B) BUENOS AIRES 5564, C) BUENOS AIRES A-114

1. ARGENTINE LEGAL FOREIGN INVESTMENT FRAMEWORK, WHICH IS STILL URGENT, HAS BEEN DESCRIBED IN THE FOLLOWING COMMUNICATIONS:

A) FOREIGN INVESTMENT LAW BUENOS AIRES 538 8/16/77

BUENOS AIRES A-129 8/24/77

B) FOREIGN INVESTMENT REGULATIONS BUENOS AIRES 1031 2/8/77

BUENOS AIRES A-22 3/2/77

C) TRANSFER OF TECHNOLOGY LAW BUENOS AIRES 6068 8/18/77

BUENOS AIRES A-112 8/29/77

THIS LEGISLATION DOES NOT PROVIDE SPECIAL INCENTIVES FOR FOREIGN INVESTORS. ARTICLE 1 OF THE FOREIGN INVESTMENT LAW (21,382) STATES THAT FOREIGN INVESTORS SHALL HAVE THE SAME RIGHTS AND OBLIGATIONS THAT THE CONSTITUTION AND LAWS GRANT TO NATIONAL INVESTORS, "SUBJECT TO THE PROVISIONS OF THIS LAW (FOREIGN INVESTMENT LAW), AND TO THE RULES THAT SPECIAL OR PROMOTIONAL STATUTES PROVIDE."

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2. A NEW INDUSTRIAL PROMOTION LAW (REF B AND C) FOR INVESTMENT IN CERTAIN INDUSTRIES ALLOWS MAJORITY FOREIGN-OWNED FIRMS DOMICILED IN ARGENTINA TO BENEFIT FROM THE INCENTIVES UNDER THE LAW SELECTIVELY. SINCE THE INDUSTRIAL PROMOTION LAW WAS ONLY PASSED RECENTLY, THERE IS NO EXPERIENCE YET ON HOW THE LAW WILL BE APPLIED AND HOW MUCH FOREIGN INVESTORS WILL BE PERMITTED

TO BENEFIT FROM IT.

3. OBJECTIVES, INCENTIVES, AND EVALUATION CRITERIA FOR PROJECTS UNDER INDUSTRIAL PROMOTION LAW ARE SUMMARIZED IN REF B. LAW DOES NOT PROVIDE FOR ANY SPECIFIC PERFORMANCE REQUIREMENTS BUT DOES IMPOSE PENALTIES FOR NON-COMPLIANCE OF OBLIGATIONS UNDERTAKEN BY BENEFICIARY OF INCENTIVES. FOREIGN INVESTORS RECEIVE NO SPECIAL TREATMENT WITH RESPECT TO LABOR.

4. IN ADDITION TO INCENTIVES FROM THE NATIONAL GOVERNMENT, FOREIGN INVESTORS ARE ALSO ELIGIBLE FOR

INCENTIVES, PRIMARILY OF A TAX NATURE, PROVIDED BY PROVINCIAL AND MUNICIPAL GOVERNMENTS.
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Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: INVESTMENT LAW, FOREIGN INVESTMENTS
Control Number: n/a
Copy: SINGLE
Sent Date: 20-Oct-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01-Jan-1960 12:00:00 am
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1977BUENOS07841
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D770389-0504
Format: TEL
From: BUENOS AIRES
Handling Restrictions: n/a
Image Path:
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Legacy Key: link1977/newtext/t19771040/aaaabhlj.tel
Line Count: 79
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 871f832b-c288-dd11-92da-001cc4696bcc
Office: ACTION COME
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: 77 STATE 242996, 77 BUENOS AIRES 5564, 77 BUENOS AIRES A-114
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 17-Feb-2005 12:00:00 am
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 852705
Secure: OPEN
Status: NATIVE
Subject: REQUEST FOR INFORMATION TO AID USG REVIEW OF INTERNATIONAL INVESTMENT POLICY
TAGS: EINV, ECON, ELAB, ETRD, AR
To: STATE
Type: TE
vdkgvwkey: odbc://SAS/SAS.dbo.SAS_Docs/871f832b-c288-dd11-92da-001cc4696bcc
Review Markings:
Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
22 May 2009
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009